

Message Text

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41

ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 EURE-00 AID-20 CEA-02 CIAE-00

COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01 CIEP-02

SPC-03 STR-08 TRSE-00 LAB-06 SIL-01 OMB-01 DRC-01

NEA-10 EA-11 /129 W

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC PRIORITY 6180

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGN

AMEMBASSY DUBLIN POUCH

AMMBASSY LONDON 8992

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY THE HAGUE

USMISSION GENEVA

USMISSION OECD PARIS

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EO 11652 NA

TAGS: EFIN, EEC

SUB: SUSPENSION OF EC COUNCIL RESOLUTION

ON SECOND STAGE OF ECONOMIC AND MONETARY UNION

REF: EC BRUSSELS 7360

1. SUMMARY. THE FAILURE OF THE EC COUNCIL (FOREIGN
MINISTERS) TO AGREE ON REGIONAL POLICY (SEPTOL) HAS
LED TO A DE FACTO SUSPENSION (REFERRED TO AS "STOPPING
THE CLOCK") OF THE RESOLUTION ON THE SECOND STAGE OF
ECONOMIC AND MONETARY UNION (EMU). COMMUNITY
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OFFICIALS SAY THE RESOLUTION WILL BE ADOPTED WHENEVER

THE COUNCIL MAY AGREE ON REGIONAL POLICY. THE
RESOLUTION INCREASING SHORT-TERM MONETARY
SUPPORT (REFTEL) IS ALSO CONSIDERED SUSPENDED. HOWEVER
THE TWO OTHER DECISIONS AND ONE DIRECTIVE APPROVED BY THE
FINANCE MINISTERS ON DECEMBER 17 (REFTEL) ARE STILL CONSIDERED
ADOPTED.
END SUMMARY.

2. THE CONTENTS OF THE RESOLUTION ON THE SECOND STAGE
HAD BEEN APPROVED BY THE COUNCIL (FINANCE MINISTERS)
ON DECEMBER 17 (REFTEL), BUT SINCE THE LAST PART OF
THE RESOLUTION DEALT WITH SOCIAL, INDUSTRIAL AND
REGIONAL POLICY, ITS ADOPTION REQUIRED THE APPROVAL
OF THE FOREIGN MINISTERS.

3. SOURCES AT THE COMMISSION AND THE COUNCIL
SECRETARIAT SAY THE RESOLUTION APPROVED BY THE FINANCE
MINISTERS ON SHORT-TERM MONETARY SUPPORT IS ALSO
CONSIDERED TO BE IN A STATE OF SUSPENSION. THIS IS SO
BECAUSE ITS PREAMBLE LINKS IT TO THAT PART OF THE
RESOLUTION ON THE SECOND STAGE (PARA II, ITEM 5 OF
THE TEXT RELEASED TO THE PRESS AND POUCHED TO STATE
RPE) WHICH STATES THAT "THE COUNCIL SHALL IMMEDIATELY
TAKE THE NECESSARY MEASURES FOR THE ADMINISTRATION
OF SHORT-TERM MONETARY SUPPORT PENDING A DECISION ON
THE COMMISSION'S PROPOSAL ON THE EUROPEAN MONETARY
COOPERATION FUND".

4. THE EC COUNCIL (FINANCE) ON DECEMBER 17 ALSO
APPROVED TWO "DECISIONS"--ONE ON CONVERGENCE OF
ECONOMIC POLICIES AND ONE SETTING UP AN ECONOMIC
POLICY COMMITTEE--AND ONE "DIRECTIVE" ON STABILITY,
GROWTH, AND FULL EMPLOYMENT. THESE ACTIONS ARE
CONSIDERED UNAFFECTED BY THE ABSENCE OF AGREEMENT
ON REGIONAL POLICY.

5. IN PRACTICE, ALL RESOLUTIONS MUST BE APPROVED BY
THE LEGAL TRANSLATION SERVICE OF THE EC COMMISSION, WHICH
PUTS THEM IN THE OFFICIAL LANGUAGES OF THE COMMUNITY
AND OTHERWISE PREPARES THEM FOR FORMAL ADOPTION BY
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THE COUNCIL AND INCLUSION IN THE OFFICIAL JOURNAL.
THIS PROCESS CAN TAKE TWO OR THREE WEEKS IN ANY
EVENT. THUS, ANY MEMBER STATE CAN HOLD UP FORMAL
APPROVAL OF A RESOLUTION ON VARIOUS TECHNICAL GROUNDS,
COMMISSION, PERM REP, AND COUNCIL SECRETARIAT OFFICIALS
ASSUME THE RESOLUTION ON SHORT-TERM CREDITS WILL BE
HELD UP IN THIS MANNER UNTIL THE COUNCIL
REACHES A DECISION ON REGIONAL POLICY AND APPROVES

THE RESOLUTION ON THE SECOND STAGE OF EMU. COMMISSION
OFFICIALS BELIEVE FURTHER THAT IT IS TACTICALLY
BETTER FROM THE COMMISSION'S POINT OF VIEW TO DELAY
ACTION ON SHORT-TERM MONETARY SUPPORT AS AN INDUCEMENT
TO THE MEMBER STATES TO TRY TO GET ALL ELEMENTS OF THE
PACKAGE INTO PLACE. IN OTHER WORDS, AS OF THIS TIME,
THE COMMISSION SEEMS TO PREFER AN ALL OR NOTHING APPROACH.

6. IN THE ABSENCE OF A DECISION ON REGIONAL POLICY
AND THE MOVE TO THE SECOND STAGE, THE RESOLUTION
ON SHORT-TERM MONETARY SUPPORT COULD, IF THIS WERE
JUDGED NECESSARY, BE RE-INTRODUCED FOLLOWING APPRO-
PRIATE ADJUSTMENTS IN ITS PREAMBLE TO REMOVE THE LINK
TO THE SECOND STAGE. OUR CONTACTS TELL US, HOWEVER,
THAT THE COMMISSION IS UNLIKELY TO FOLLOW THIS COURSE.

GREENWALD

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